

Unemployment rate falls as hiring persists. In the US, weaker CPI data is welcomed as the Fed holds rates steady.

Economic data

In Australia, the unemployment rate dropped to 4.0% in May from 4.1%. Net employment rose by 39,700 from April with 41,700 full-time positions added, while the participation rate held at a historically high 66.8%. The NAB Business Survey saw business confidence falling as conditions continued to soften gradually.

In the US, CPI data came in slightly under expectations, with CPI flat MoM and increasing 3.3% YoY. Core CPI increased 0.2% for May and 3.4% from a year ago. The FOMC meeting saw rates remaining unchanged while the dot plot reduced projections to one cut this year.

Rates

Australian yields fell across the week, with 2-year yields decreasing by 0.07% to 3.91%, while 10-year yields declined by 0.10% to 4.12%.

Labour market data released last week saw the unemployment rate easing back to 4.0% from 4.1% in April, in line with estimates. Employment outpaced expectations in May, as net employment rose 39,700, above forecasts of 30,000, led by a jump in full-time employment. A slightly stronger set of jobs data than expected, this highlighted that the labour market remains resilient even as the economy has slowed, and markets pared back bets on a rate cut this year. The RBA meets this week, and is widely expected to hold the policy rate at 4.35% for a fifth straight meeting.

In the US, yields rallied, as 2-year yields finished 0.18% lower at 4.70%, while 10-year dipped by 0.21% to 4.22%.

CPI prints midweek showed that core inflation decelerated to 0.2% MoM in May, slightly below expectations of 0.3%. The 3.4% increase on a YoY basis was the slowest pace in more than three years. Yields rallied across the board, embracing an encouraging inflation print after a string of higher than expected readings. Markets priced back in a first rate cut in September, with two cuts seen for this year. The FOMC meeting that followed shortly after saw the Fed keeping rates on hold as expected. Notably, projections revealed that one rate cut is now expected in 2024, from three in the previous dot plot, alongside the long-run interest rate projection moving up to 2.8% from 2.6%. A hawkish turn from the Fed that rates may remain higher for longer, it did note “modest further progress” towards the 2% inflation target. Fed Chair Powell continued to emphasise the Fed’s data dependent approach, commenting that he does not hold the dot plot “with high confidence.”

Credit

Credit spreads widened slightly, with the Australian iTraxx index ending the week 2bps higher at 67bps.

Other markets

Commodities were mixed over the week, with the CRB index edging 0.1% lower to 545.2. Gold rebounded by 1.7% to USD 2,333 per ounce, while oil also reversed its decline, gaining 3.9% to USD 78.5 per barrel. In contrast, iron ore price continued downwards, falling 1.4% to end the week at USD 106.5 per ton.

In FX, the US dollar broadly strengthened against major currencies. The EUR/USD and GBP/USD fell 0.9% and 0.3% respectively to end at 1.070 and 1.269, while the USD/JPY increased by 0.4% to 157.4. On the contrary, the AUD/USD rose by 0.5% to 0.662.

Equities saw a mixed week, as the S&P 500 index closed 1.6% higher at 5,432, surpassing 5,400 for the first time. The Nikkei rose by 0.3% to 38,815, while the FTSE 100 continued its decline to end 1.2% lower at 8,147. Domestically, the ASX200 fell 1.7% to 7,724.

The week ahead

In Australia, the focus will be on the RBA rate decision to keep rates on hold at 4.35%. In the US, a quieter week will see the release of retail sales data.

BlackRock Fixed Income Product Strategy

The Market Data Dashboard is for wholesale clients only and not for distribution to retail clients. The next page provides an overview of changes in key market rates and prices over the week and the month. Focus is given to fixed income markets, but there is also some currency, commodity, and equity market data. The dashboard provides start and end values for each period as well as “sparkline” charts which provide an indication of the path of changes over the period.

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BlackRock Australia Fixed Income

Market Data Dashboard

			Week						Month							
			7-Jun	14-Jun	Move	%	Min	Max	Range	15-May	14-Jun	Move	%	Min	Max	Range
Rates	Australia	RBA Cash	4.35	4.35	0.00		4.35	4.35	0.00	4.35	4.35	0.00		4.35	4.35	0.00
		12m Implied Cash	4.19	3.97	(0.22)		3.97	4.22	0.25	4.10	3.97	(0.13)		3.97	4.38	0.41
		30 day BBSW	4.29	4.29	0.00		4.29	4.29	0.00	4.30	4.29	(0.01)		4.28	4.30	0.02
		90 day BBSW	4.35	4.37	0.01		4.35	4.37	0.01	4.37	4.37	(0.00)		4.34	4.37	0.04
		2Y Govt Bond	3.98	3.91	(0.07)		3.91	4.06	0.15	4.02	3.91	(0.11)		3.90	4.15	0.25
		10Y Govt Bond	4.22	4.12	(0.10)		4.12	4.32	0.20	4.32	4.12	(0.19)		4.12	4.43	0.31
		3-10 Fut. Curve	33.0	31.2	-1.8		31.2	35.5	4.3	37.5	31.2	-6.3		31.2	38.0	6.8
		Nov-2027 Real Yield	1.52	1.47	(0.04)		1.47	1.58	0.11	1.51	1.47	(0.03)		1.40	1.59	0.19
	US	Fed Funds Target	5.50	5.50	0.00		5.50	5.50	0.00	5.50	5.50	0.00		5.50	5.50	0.00
		2Y Treasury	4.89	4.70	(0.18)		4.70	4.89	0.19	4.72	4.70	(0.02)		4.70	4.98	0.28
10Y Treasury		4.43	4.22	(0.21)		4.22	4.47	0.25	4.34	4.22	(0.12)		4.22	4.61	0.39	
2-10 Curve		(45)	(48)	(3)		(48)	(41)	7	(38)	(48)	(10)		(48)	(36)	12	
10Y Real Yield		2.14	2.04	(0.10)		2.04	2.16	0.12	2.04	2.04	0.00		1.98	2.24	0.27	
Aus/US	2Y Spread	(91)	(80)	11		(79)	(72)	6	(71)	(80)	(9)		(80)	(83)	(3)	
	10Y Spread	(21)	(10)	12		(10)	(4)	6	(2)	(10)	(7)		(10)	(18)	(8)	
UK	BoE Bank Rate	5.25	5.25	0.00		5.25	5.25	0.00	5.25	5.25	0.00		5.25	5.25	0.00	
Euro	ECB Refi Rate	4.25	4.25	0.00		4.25	4.25	0.00	4.50	4.25	(0.25)		4.25	4.50	0.25	
Credit	Australia	Aus iTraxx	65	67	2		65	67	3	64	67	3		63	67	5
		AA 5Y vs Bond	96	91	(5)		90	103	(12)	99	91	(8)		90	103	(12)
		BBB 5Y vs Bond	165	159	(6)		159	173	(14)	167	159	(8)		159	173	(14)
	US	CDX Inv. Grade	50	54	4		49	54	5	49	54	5		49	54	5
		CDX High Yield	335	347	12		330	347	17	327	347	20		325	347	21
	Euro	Euro iTraxx	51	64	13		51	64	13	51	64	13		50	64	14
Currencies	AUD/USD	0.658	0.662	0.003	0.5%	0.658	0.666	0.008	0.669	0.662	-0.008	-1.2%		0.658	0.669	0.011
	EUR/USD	1.080	1.070	-0.010	-0.9%	1.070	1.081	0.011	1.088	1.070	-0.018	-1.7%		1.070	1.090	0.020
	GBP/USD	1.272	1.269	-0.003	-0.3%	1.269	1.280	0.011	1.269	1.269	0.000	0.0%		1.267	1.281	0.014
	USD/JPY	156.8	157.4	0.7	0.4%	156.7	157.4	0.7	154.9	157.4	2.5	1.6%		154.9	157.6	2.8
	AUD/JPY	103.1	104.1	1.0	1.0%	103.1	104.4	1.3	103.7	104.1	0.5	0.4%		103.0	104.7	1.7
Comds	Oil	WTI Crude	75.5	78.5	2.9	3.9%	75.5	78.6	3.1	78.6	78.5	-0.2	-0.2%	73.3	80.1	6.8
	Gold	US\$	2,294	2,333	39	1.7%	2,294	2,333	39	2,386	2,333	(53)	-2.2%	2,294	2,425	132
	Iron Ore	US\$	108.00	106.50	(2)	-1.4%	103.50	108.00	4.5	115.0	106.5	-8.5	-7.4%	103.5	122.5	19.0
	All	CRB Index	545.6	545.2	(0)	-0.1%	543.5	547.4	3.9	543.2	545.2	2.0	0.4%	541.0	551.3	10.3
Equities	Australia	ASX200 Price Index	7,860	7,724	(136)	-1.7%	7,716	7,860	145	7,754	7,724	(29)	-0.4%	7,628	7,881	253
	US	S&P500 Price Index	5,347	5,432	85	1.6%	5,347	5,434	87	5,308	5,432	123	2.3%	5,235	5,434	198
	Japan	Nikkei 225 Price Index	38,684	38,815	131	0.3%	38,684	39,135	451	38,386	38,815	429	1.1%	38,054	39,135	1,081
	UK	FTSE 100 Price Index	8,245	8,147	(99)	-1.2%	8,147	8,245	99	8,446	8,147	(299)	-3.5%	8,147	8,446	299

Source: Bloomberg

Australia Fixed Income